

# Mfolozi Municipality

## Annual Report



2011- 2012

## **GENERAL INFORMATION**

**Acting Municipal Manager:** Mrs M Lubbe

**Registered Office:** Mfolozi Municipal Offices

**Physical address:** 25 Bredelia Street,  
KwaMbonambi, 3915

**Postal address:** PO Box 96, KwaMbonambi

**Telephone:** 035 580 1421

**Fax number:** 035 580 1141

**e-mail address:** [lubbea@mbonambi.co.za](mailto:lubbea@mbonambi.co.za)

**Grading of Local Authority:** Grade 2

**Bank:** ABSA Bank  
La Lucia Ridge 4019  
4 Frosterney Crescent  
La Lucia

**Auditors:** Auditor-General of the Republic  
of South Africa

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**Mayor SW Mgenge has dedicated his civic life to bringing speedier and more efficient service delivery to the communities of Mfolozi**

# **Overview of the Annual report of the Mfolozi Municipality 2011/2012 -**

**His Worship The Mayor Cllr SW Mgenge**

## **A YEAR OF WHICH TO BE PROUD**

The transition to democracy in South Africa was in many respects most effectively wrought by the role local authorities can play as the implementing agents of new developments in the country.

In this regard Mfolozi Municipality has been no exception and is in many cases the epitome of such change since 2000. We have had our challenges as a new, smaller local authority in KZN, but in many respects have been at the forefront of municipal progress.

Our Integrated Development Plan (IDP) has been seen by our residents as the policy vehicle to effect change, to meet needs of communities and to establish the infrastructures needed to make democracy a reality in this part of the country.

I have personally made it my objective to hold political office bearers and our public servants accountable; to deliver more and better services in a caring and efficient manner; to move from debate to effective implementation and above all to communicate with and to work in close partnership with the Mfolozi communities.

Within the covers of this Annual Report are the detailed actions and their costs to transform these ideals into realities. Readers will get a bird's eye view of some of the many improvements which were carried out by my officials during the year under review in the pages that follow. A far more detailed presentation is of course contained in the Financial Statements and the Notes thereto which have received the critical scrutiny of the nation's Auditor-General and I am proud to say that in the opinion of the Auditor General, the financial statements present fairly, in all material respects, the financial position of the Mfolozi Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

In the financial year under review we have been able, with extremely limited resources been able to achieve most of our goals. Given the constraints on the revenue side tough decisions have been made which will also impact on the ensuing financial year. However the economic downturn has severely affected businesses and the residents of our area. We have therefore had to strategize and cut costs to channel our limited resources to where they are most needed.

I must emphasize that residents' participation in achieving our goals is encouraged and is constantly improving.

I would like to compliment Councillors for the valuable contributions which they continue to make in identifying both ways and means to improve the daily lives of our residents and for the co-operation, over party political lines which we in this municipality continue to experience.

The staff too must be complimented for their tireless work for the benefit of our Mfolozi community.



**CLLR SW MGENGGE**  
**MAYOR**

KwaMbonambi, Mfolozi









31/01/2013









# MEOLOZI MUNICIPALITY

COUNCILLOR LIST – 2011/12









NAME	PARTY	SEAT	POSTAL ADDRESS	DESIGNATION	HOME PHONE	WORK PHONE	FAX	CELL PHONE
ME NTSHANGASE 441112 0307 082	ANC 	W1	P.O. Box 681, Kwambonambi,3910	ExCO				078 276 3482
NC MTHEMBU 590904 5784 086	ANC 	W2	P.O. Box 7295, Empangeni Rail, 3810		035 580 1396			083 735 1599
B MTHIYANE 710127 5572 088	ANC 	W3	P.O. Box 10908 Meerensee, 3901					083 358 2128
ZR MSANE 680828 5436 085	ANC 	W4	P.O. Box 631, Kwambonambi,3915					083 773 8014
EBZ MBELE 741226 0985 080	ANC 	W5	P.O. Box 10246, Meerensee, 3901					073 649 1667
MM MBUYAZI 590607 5829 088	ANC 	W6	P.O. Box 10349, Meerensee,3901					073 773 7264
ESW MTHIMKHULU 520914 5737 088	ANC 	W7	P.O. Box 800, Empangeni, 3880					082 220 6344

NAME	PARTY	SEAT	POSTAL ADDRESS	DESIGNATION	HOME PHONE	WORK PHONE	FAX	CELL PHONE
<b>SP MAKHANYA</b> 720326 5571 086	 ANC	W8	P.O. Box 9762, Nozambula Reserve Kwambonambi, 3915					083 542 3130
<b>FPB MPUNGOSE</b> 580223 5826 082	 IFP	W9	P.O. Box 2494, Empangeni, 3880	ExCO		035 580 9792		083 695 0038
<b>B MNQAYI</b> 790310 6289 083	 IFP	W10	P.O. Box 5582, Kwambonambi, 3915					083 464 5030
<b>SW MGENCE</b> 660508 5582 088	 ANC	W11	P.O. Box 3318, Mtubatuba, 3935	MAYOR		035 793 3208	086 751 3013	082 550 7506
<b>XM BHENGU</b> 740910 5565 085	 IFP	W12	P.O. Box 334, Kwambonambi, 3915					083 510 8060/ 083 974 2669
<b>JM NDIMANDE</b> 590731 5443 086	 IFP	W13	P.O. Box 84636, Empangeni, 3880					073 532 9974
<b>NR MBUYAZI</b> 760513 5313 087	 ANC	W14	P.O. Box 10647, Meerensee, 3901					073 639 9462
<b>FM THUSI</b> 851209 5656 084	 IFP	W15	P.O. Box 70058, Empangeni, 3880	ExCo				083 552 5808

NAME	PARTY	SEAT	POSTAL ADDRESS	DESIGNATION	HOME PHONE	WORK PHONE	FAX	CELL PHONE
<b>SB CELE</b> 720322 5459 083	NFP 	PR	P.O. Box 40848, Richards Bay, 3901					078 278 6157
<b>ZD MFUSI</b> 670225 5432 085	ANC 	PR	P.O. Box 10764, Meerensee, 3901	SPEAKER				078 448 7427
<b>ZF MKHWANAZI</b> 561129 5441 082	ANC 	PR	P.O. Box 730, Kwambonambi, 3915					072 514 0128
<b>BT MNQAYI</b> 570104 6058 085	ANC 	PR	P.O. Box 2258, Richards Bay, 3900	ExCO				082 483 9896
<b>ZG MCINEKA</b> 660605 0553 088	ANC 	PR	P.O. Box 60256, Richards Bay, 3900					073 324 9346
<b>NT MTHIYANE</b> 741018 0290 086	ANC 	PR	P.O. Box 1069, Meerensee, 3901					073 035 8849
<b>SR THABETHE</b> 691216 0932 083	ANC 	PR	P.O. Box 5844, Richards Bay, 3900					073 610 7136
<b>SK NGEMA</b> 821225 5706 080	NFP 	PR	P.O. Box 407, Kwambonambi, 3915	ExCO				073 434 9195



NAME	PARTY	SEAT	POSTAL ADDRESS	DESIGNATION	HOME PHONE	WORK PHONE	FAX	CELL PHONE
<b>T NDIMANDE</b> 830702 5255 083	IFP 	PR	P.O. Box 863, Empangeni, 3880					073 449 7001
<b>TS GUMEDE</b> 640203 5533 084	IFP 	PR	P.O. Box 8038, Empangeni, 3880			035 795 1225	035 795 1299	076 091 1829
<b>TM BIYELA</b> 660730 5386 084	IFP 	PR	P.O. Box 190 Kwambonambi, 3915					083 544 2992 083 677 0129
<b>DZS MNTAMBO</b> 690712 5442 087	ANC 	PR	P.O. Box 20168, Empangeni, 3800					083 475 1358
<b>TE MHLONGO</b> 610623 0542 085	IFP 	PR	P.O. Box 8127, Empangeni Rail, 3880					082 728 8211
<b>NW MTHETWA</b> 800415 0419 087	NFP 	PR	P.O. Box 1059, Empangeni, 3880					073 528 4488

NUMBER OF COUNCILLORS: 30  
 WARD COUNCILLORS: 15  
 ANC : 17  
 IFP : 10  
 NFP : 3



When the Auditor-General summoned Mayor S W Mngenge, Acting Municipal Manager Abbie Lubbe (above) and Acting Chief Financial Officer Cynthia Ngema to his Pietermaritzburg offices in December 2012, the good news that Mfolozi Municipality had received an unqualified Annual Report for 2011/12 was celebrated at a local hotel.

## **Acting Municipal Manager's Report 2011/2012**

### **1. Overview**

Financial year for 2011/2012 in the office of the Municipal Manager took responsibility for the following:

Strategic Key Performance Areas (KPA's):

- Basic Service Delivery (Infrastructure);
- Municipal Institutional Development and Transformation;
- Social and Economic Development;
- Financial Viability and Management;
- Good Governance and Community Participation.

#### **1.1 Basic Service Delivery (Infrastructure)**

The 2011/2012 financial year saw the fourth quarter review being conducted for 2011/2012 with financial challenges and continued with various Turnaround Strategies, internal as well as external by COGTA.

The annual review process took into consideration the Vision, the Mission and the 5 Key Strategies which in essence are the 5 building blocks of the IDPs. These 5 Key Strategies also strongly resemble the 5 Key Performance Areas of National Government as well as the 6 Key Performance Areas of the KwaZulu-Natal Provincial Government.

### **1.1.1 MIG Projects**

The Municipality received a conditional Municipal Infrastructure Grant of R14.475-million from COGTA for the 2011/2012 financial year and implemented 41 projects broken down as follows:

8 Crèches;

3 Pay Point Shelters;

3 Km Roads;

1 Market Stall;

4 Small Playground (soccer fields); and

22 Bus Shelters.

These projects commenced in December 2011 and expenditure was achieved in June 2012.

### **1.1.2 Low Income Housing**

Six years ago the municipality developed a Housing Plan and embarked on 15 housing projects. One of these projects entailed slum clearance and all the other projects are rural housing projects and their details are as follows:

- **Mbonambi Newtown (slum clearance)**

This project started in 2007 after receiving the DFA approval of 507 approved houses which were completed on the first portion that had no restrictions due to squatter occupation. The Municipality received approval for the remainder in May 2010 from the Department of Human Settlements and the contractor started on site. A negotiation to acquire a further portion of land to facilitate the construction was started by the Municipality. There is a new application for further housing in the same area.

- **Mhlana/Masakhisane**

Rural Housing – A total of 450 of the 1000 approved beneficiaries received houses at the end of January 2011 and steps have been taken by the Municipality to increase delivery of houses. A new Implementing Agent has been appointed after the dismissal of the first due to under-performance.

- **Dondotha. Myamanzi and Nzalabantu Rural Housing**

These projects have been approved. They are in various stages of development, construction will commence shortly. They consist of 1000 houses each. (Cingci / Dondotha were approved on 22 July 2011).

- **Hlanzeni. Mzingazi. Ndlabeyilandula and Sabokwe Rural Housing**

Had land tenure challenges and negotiations took more than 5 years to be finalised.

Approval was received on 25 March 2011 from the Department of Land Affairs with highly restrictive conditions (the reserve has a mining lease which is operated by RBM).

A further four rural housing projects have since been identified consisting of 1000 housing units. The Municipality advertised and appointed four Implementing Agents.

These projects have been approved. They are in various stages of development and construction will commence shortly. They consist of 1000 houses each. (Cingci / Dondotha were approved on 22 July 2011).

### **1.1.3 N2 Development**

- An application for the subdivision of the property was lodged through the Department of Provincial and Local Government (Development and Administration) and the Section 28 certificate was obtained in the 2009/2010 financial year.
- A sales agreement for the land was signed between Mfolozi Municipality and Empophomeni Property Investments Holdings.
- The process is at final stages of transfer and development will commence after the completion of the N2 Interchange.
- The project is estimated at R130-million.

### **1.1.4 N2 Interchange**

- A need arose to build a 3-span bridge over the N2 National Road intersecting the P232 Provincial Road at Kwambonambi due to the high level of fatal accidents and the need for major economic rejuvenation of the town.
- The Municipality embarked on a campaign to promote the project to SANRAL which is the authority responsible for the development of the N2.
- After several meetings and correspondence with SANRAL, the project was approved.
- The estimated price for the project was R180-million of which the Municipality would contribute 8% over the project period as agreed.
- The remainder capital cost is shared between SANRAL and the Department of Transport as agreed.
- An agreement between SANRAL and the Municipality was signed in the 2009/2010 financial year.
- The municipal contribution would be shared between the Municipality and two major stakeholders/ developers, i.e. Empophomeni Property Investments Holdings for the N2 Development and Moya Mara Country Estate in equal parts which will benefit directly from the interchange.
- All aspects were considered by SANRAL including a contribution towards social development and therefore a certain amount was set aside in their bid document for this reason.
- SANRAL, through their supply chain management, appointed Rumdell Construction for the project and the site was handed over in July 2010.

## **1.2 Municipal Institutional Development and Transformation**

The review process required the revision of all programmes and participating projects through community and stakeholder participation. One-on-one alignment meetings were held with national and provincial government departments, parastatals and service utilities. The Municipality also embarked on IDP / Budget Roadshow campaigns throughout the municipal area via visits. The first round looked at the compilation of the IDP Review in order to receive input from the process and the second round looks at alignment of the budget to inform communities.

All legislative requirements and timeframes in respect of the IDP Process plan, IDP Roadmap, finalisation, adoption and submission of the IDP Review were successfully complied with, and the final IDP Review was submitted to the KZN DLGTA by the deadline of 10 June 2012.

### **The capacity building programmes took place along the following lines:**

- Workshops on policy for Ward Committees and Operations were also developed and approved by Council in June 2011.
- Training Committee Meetings were scheduled quarterly for input and recommendations.
- Training Ward Committee Meeting on the first module was conducted.
- Further training of the Ward Committee members on meetings will be scheduled in the next financial year.
- Bursary Applications – as and when required by officials who wanted to enhance their skills and empower their knowledge base with the said competencies.
- Community Bursaries – in place and are co-ordinated by the Council from year to year.

The 2011/2012 financial year experiences saw the fourth year of Mfolozi Municipality measuring the performance of the Municipal Manager and the three Heads of Department (Section 57 Managers) in terms of the Municipal Performance Regulations for Municipal Managers and Managers directly reporting to Municipal Managers dated 1 August 2006. In terms of the provisions of the regulations each Section 57 Manager entered into a Performance Agreement within the specified period for the 2011/2012 financial year. However, there were challenges of non-attendance by some members of the PMS Audit Committee. Our feeling was that volume of work on some of the members had an influence on availability to attend PMS Audit Committee meetings.

The performance regulations necessitate a municipality to formally assess performance of its Section 57 Managers for every quarter in respect of a financial year under review. In the case of Mfolozi Municipality all four quarterly performance assessments were carried out by Performance Assessment Panels, constituted in accordance to the said regulations. The performance assessment results were audited by the Municipality's internal auditors.

For 2012/2013 financial year preparations are once again in place to conduct performance assessments four times, once per quarter, during the year and all Section 57 Performance Agreements will be entered into in accordance with legislative provisions.

### **1.3 Social and Economic Development**

The officials took it upon themselves to develop the Women, Disabled and Aged Development Plan due to funding constraints. This was taken to Council for a resolution.

HIV/AIDS was reviewed internally with the co-ordination of the various sub committees such as the NGOs, local AIDS committees and various other stakeholders. This document was duly submitted to Council for a resolution.

#### **1.3.1 Special Economic Growth and Development Programmes**

The Municipality has embarked on several socio-economic programmes such as follows:

##### **Mthiyane Tourism Centre**

- This project is located near the lighthouse on the North-Eastern end of Ward 1, Mfolozi. It will consist of a tourist information centre, lodging and restaurant facilities.
- A developer has been approved through the Municipal Supply Chain Management to implement the project within all statutory requirements.

## **Hlabane Beach Access Point**

- The existing beach access is of an informal nature and has had a negative impact on the environment in the area.
- A formal beach access point is therefore essential to manage the environment.
- The Municipality is in the process of signing a memorandum of agreement between the Department of Environmental Affairs which is the funder and KZN Wildlife which manages the area.
- KZN Wildlife has set aside R10-million for this project.
- KZN Wildlife also appointed an Environmental Specialist to conduct the scientific studies.
- The Investment and Marketing Plan will be completed during the financial year 2012/2013 when funding becomes available.

## **Provincial Corridor Development**

The municipality successfully participated in the Provincial Corridor Development Fund and raised R3-million towards the construction of the new Council Chambers and offices, R5.42-million towards co-funding of the Saligna Crescent road improvement project, R0.7-million towards the Rehabilitation and Closure of the Old Waste Landfill Site and R5.5-million towards the Rehabilitation and Upgrading of Roads and Storm Water in the CBD. These unique projects are all aimed at fostering the development of Mfolozi Municipality.

### **1.3.2 Spatial Development Framework (SDF) and Land Use Management System (LUMS)**

- Previously the Town Planning Scheme Clauses were only applicable for the proclaimed town area. Mfolozi Municipality envisages converting the available LUMS into scheme clauses for the entire municipality.
- This project will unfold for the next 5 years as prescribed by the KwaZulu-Natal Planning and Development Act (Act 6, 2008) (PDA).
- The review of the Town Planning Scheme (LUMS) was completed and it is in line with the amended PDA.
- The SDF was successfully reviewed in June 2011.
- The SDF is to highlight the envisaged residential development within and around the existing town of Kwambonambi as well as the proposed Industrial Node around the Nseleni train station.

## **1.4 Municipal Financial Viability and Management**

The Office of the Auditor-General laid down the requirement that Mfolozi Municipality should develop a Fraud Prevention Strategy; this was developed and submitted for resolution. The financial plan for 2012/2013 was developed and finalised.

Mid-year adjustment of the Budget was done during December 2011 and taken to Council for their input and resolution. Two major strategy documents were developed by the Municipality: An Investment Enhancement Strategy and a Marketing Strategy

A turnaround strategy was put in place internally (financial department) as well as externally (COGTA). The current financial year has seen its challenges, but we are happy and committed to indicate that the year 2011/2012 has changed in terms of the Audit Report.

Public meetings were also held for three Tribal Authorities to keep the community informed about progress made.

### **1.5 Good Governance and Community Participation**

The IDP for year 2012/2013 was approved by Council during June 2011. IDP/Budget roadshows were undertaken in May 2012.

### **1.6 Over and Above Achievements for 2011/2012**

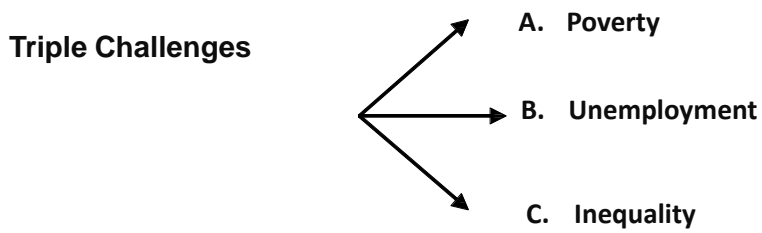
- Budget for the year approved in May 2012.
- Building of new Council Chambers valued at R3-million was approved, is complete and is being used.
- Sokhulu Eskom Electrification Project approved.
- Mbonambi Bulk Water Phase 2 approved.
- Section 12 Notice Gazetted Mbonambi Municipality, which is now known as Mfolozi Municipality.
- The changing of brand internally without outsourcing.

### **1.7 Partnership with Corporates**

- RBM – The Municipality is building 50 houses in Sokhulu and Mbonambi for destitute people and we are currently at the stage of identifying a five (5) families per sub-ward at Sokhulu.
- Foskor – The municipality has a programme in conjunction with Foskor to fund the learners (orphans). The learners had to attend at Thubelihle and Mfolozi College e.g. Apply hygiene and safety in food environment, basic nutrition concepts, prepare and bake food, vegetables.
- Foskor also built 2 housing projects in Ward 8.
- The Mayor also donated building material for two churches.

## **1.8 Addressing the Presidential Challenges**

### **Poverty-led Projects**



### **Sewing**

- Department of Trade and Industry has committed R3.5-million for 10 Sewing Cooperatives
- The funding includes provision of sewing machines, training, linkages with textile industry.
- 50 permanent jobs will be created.

### **Agriculture**

- Mondi has allocated 25ha for groundnuts that have been planted.
- The estimated Net Income R150 000 for 25 beneficiaries.
- The machine for peanut butter processing is available in Richards Bay.

#### **1.8.2 Poverty Alleviation**

- R1, 500 000 is allocated for current financial year
- 15 wards at R106 000 per Ward
- Projects include:
  - Sewing;
  - Gardening;
  - Goat production;
  - Poultry;
  - Block-making projects; and
  - Craft / Beadwork.



### **1.8.3 Geyser Project**

Three (3) wards at implementation stage viz: Ward 2, 6 and 14. (Presidential priority)

#### **A) Unemployment**

- Use of local labour on all capital projects
- Housing projects also using local labour
- 14 funded positions (new budget) 10 @ minimum wage
- Employing EPWP on all MIG projects.

#### **C) Inequality**

- Application of Public Private Partnership (PPP)
- Implementation of BBBEE code
- Implementation of the principles of affirmative action.

### **1.8.4 The Strategic Session**

The Strategic Session was held on 27 September 2011 in order to review, restructure and transform the organisation. Both political leadership and management were involved in the Mfolozi Municipality's critical transformation process. The final product was a collective effort that will usher in new democratic change and create a new vision for all.



**Mayor SW Mngenge has had a busy year with sod-turning events for new buildings of all descriptions in the Municipality's Wards. This creche is being built at Noduma at a cost of R850 000**

## **2. DIRECTOR: CORPORATE SERVICES REPORT**

### **2.1 Overview**

For the 2012/2013 financial year, the office of the Director: Corporate Services took responsibility for the following Strategic Key Performance Areas (KPA's):

- Basic Service Delivery (Infrastructure);
- Municipal Institutional Development and Transformation;
- Social and Economic Development;
- Financial Viability and Management;
- Good Governance and Community Participation



**Director Corporate Services  
- Mrs Abbie Lubbe**

### **2.2 Basic Service Delivery (Infrastructure)**

2.2.1 KPA – WSP has been submitted to ExCo which is an annual requirement in term of the Skills Development Act.

2.2.2 KPA – PMS packs finalised and submitted to COGTA as well as KWANOLOGA, all quarterly reporting finalised including Annual Report for PMS 2010/2011.

2.2.3 KPA – PMS Framework reviewed and approved by ExCo.

### **2.3 Municipal Institutional Development and Transformation**

2.3.1 KPA – HIV/AIDS Strategy approved by ExCo.

2.3.2 KPA - SDBIP Developed and approved by Councillors.

2.3.3 HR. Plan was developed and submitted to ExCo for approval.

2.3.4 KPA – Disaster Management Plan: review thereof had to be carried over from the previous financial year due to budget constraints. The estimated completion time was September 2011. A Communication Plan is part of the review of the DMP. Business Plans for funding for the Traffic Unit submitted to ExCo.

2.3.5 KPA – Framework for Councillor Oversight was approved by Council. To ensure the effectiveness of newly elected Councillors, a Code of Conduct was introduced as well as a standing orders and rules workshop which was also conducted.

2.3.6 KPA – Traffic Strategy finalised and submitted to ExCo.

### **2.4 Social and Economic Development**

2.4.1 Women, Disabled and Aged Plan- due to funding constraints this plan was done internally and submitted to ExCo.

## **2.5 Financial Viability and Management**

2.5.1 Budget approved by ExCo – finalised.

## **2.6 Good Governance and Community Participation.**

2.6.1 Monthly Agendas submitted promptly and bonded for records. Up-to-date and finalised.

2.6.2 Monthly Agendas delivered promptly and timeously – finalised.

2.6.3 Bursaries approved on monthly basis- Finalised up-to-date.



**The Mfolozi communities are intimately involved in all municipal planning activities where the information meetings are also the launching pads for the handing over of wheelchairs to indigent residents by Mayor S W Mngenge, such as the recent Ocilwane IDP Road Show**

### **3. DIRECTOR: TECHNICAL SERVICES REPORT**

#### **3.1 Overview**

For the 2011/2012 financial year, the office of the Director: Technical Services took responsibility for the following Strategic Key Performance Areas (KPA's)

- Basic Service Delivery (Infrastructure);
- Municipal Institutional Development and Transformation;
- Social and Economic Development ;
- Financial Viability and Management;
- Good Governance and Community Participation.



**Director Technical Services  
- Danie van Eeden**

#### **3.2 Basic Service Delivery (Infrastructure)**

- 3.2.1 N2 Interchange was successfully co-ordinated and is due to be finalised in the next few months.
- 3.2.2 KPA- A round grader was purchased through funds by COGTA in conjunction with Ntambanana Municipality in order to ensure that roads and storm water drains are in good Working condition. Mbonambi residents to receive waste services efficiently and sufficiently.
- 3.2.3 KPA – Solid waste is removed from residential and business properties twice a week as prescribed in the Waste Removal Policy. A Waste Management Plan has been approved by Council which includes the rollout of the service to the rural areas on availability of funds.
- 3.2.4 KPA – On-going co-ordination with Service Authorities with regard to Water and Sanitation projects (Uthungulu District Municipality) and Electricity (Eskom) is taking place in the form of stakeholders' meetings and regular correspondence to ensure efficient and viable service delivery to the community. All capital projects by the service authorities are reported to Council.
- 3.2.5 KPA- All capital projects through the MIG program that are listed in the IDP are being finalised and full expenditure of the MIG funds for the 2010/2011 financial year.

#### **3.3 Municipal Institutional Development and Transformation**

- 3.3.1 The project for protection for the Municipality's natural resource is being finalised for submission to ExCo.
- 3.3.2 KPA – The General Valuation Roll is in place and the review was approved by Council after the necessary stakeholders' meeting and community participation requirements were met.
- 3.3.3 KPA - All Occupation Health and Safety requirements on the municipal premises are met and reported to ExCo.

#### **3.4 Social and Economic Development**

- 3.4.1 KPA - The LED Strategy Plan was approved by Council which includes various LED projects such as Mthiyane Tourist Centre.
- 3.4.2 KPA - The SMME Audit was been conducted and submitted to Council and on-going registrations of SMMEs is taking place.

- 3.4.3 KPA - The IDP review for the 2012/2013 financial year was approved and submitted to COGTA after all community participation requirements were met.
- 3.4.4 KPA - Agriculture Development and Coastal Development plan was not finalised due to shortage of funding.
- 3.4.5 KPA - A District Tourism Plan is in place and proposals were called from service providers to compile a local plan which was developed and submitted ExCo for approval.

### **3.5 Financial Viability and Management**

- 3.5.1 KPA - Departmental expenditure has been kept within the budget and reported to Council on a quarterly basis. The 2011/2012 budget was submitted and approved by Council.
- 3.5.2 KPA - Applicable rates are applied according to the reviewed Valuation Roll.

### **3.6 Good Governance and Community Participation**

- 3.6.1 KPA - IDP road shows took place in accordance with the regulations and were submitted to ExCo for approval.
- 3.6.2 KPA - Proposals were called from service providers to compile an Environmental Management Plan.



**As a professional educationist, Mayor SW Mngenge believes that a literate and informed citizenry is the backbone of the nation and this library at Bulimeni (Ward 11) was built at a cost of over R1-million**



## **4. CHIEF FINANCIAL OFFICER'S REPORT**

### **4.1 Overview**

For the 2011/2012 financial year the office of the Chief Financial Officer took responsibility for the following Strategic Key Performance Areas (KPA's)

- Basic Service Delivery (Infrastructure);
- Municipal Institution Development and Transformation;
- Social and Economic Development;
- Financial Viability and Management;
- Good Governance and Community Participation.



### **4.2 Basic Service Delivery (Infrastructure)**

**Chief Financial Officer - Cynthia Ngema**

- 4.2.1 KPA - Revenue was collected through waste services.
- 4.2.2 KPA - Mfolozi residents receive free basic services consistent with National Policy and Indigent Policy and procedures were developed by the Council.
- 4.2.3 KPA - The Department efficiently allocated financial resources thus the Budget was aligned to the IDP and SDBIP.

### **4.3 Municipal Institutional Development and Transformation**

- 4.3.1 KPA - The Department developed the overall financial control systems in order to comply with financial prescripts.
- 4.3.2 KPA – The Department collected 65% of monies owed due to Credit Controls and the Debt Collection Policy being effectively implemented.
- 4.3.3 KPA - The Department co-ordinated and controlled the application procedures in respect of procurement and/ or purchasing sequences.

### **4.4 Social and Economic Development**

- 4.4.1 KPA- Two important strategies in the area of Investment Enhancement and Marketing Strategy were developed and submitted to Council for approval.
- 4.4.2 KPA - The Department developed business plans and submitted them to potential funders to source funding by June 2011.
- 4.4.3 KPA - The Office of the Auditor-General laid down the requirement that Mfolozi Municipality should develop a Fraud Prevention Strategy; this Strategy was approved and submitted to ExCo.
- 4.4.4 KPA - The Department greatly contributed to the turnaround strategy as per COGTA requirement.

#### **4.5    Good Governance and Public Participation**

- 4.5.1    KPA-The IDP for the year 2012/2013 was approved by Council during June 2012. IDP/Budget road shows were undertaken in May 2012.
- 4.5.2    Generally the Department is well positioned to make great strides in 2012/2013.

## Notice to Stakeholders

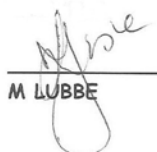
At a very late stage in the production of this Annual Report and after it had been signed off by the Auditor-General the Mfolozi Municipality received a request from COGTA that numerous amendments and additions be added to the document before it is published.

The Municipality responded that it did not have the capacity, at that late stage, to fully implement COGTA's suggestions set out in their letter reproduced on pages 22 – 24 of this Annual Report. One of them for instance requires that a full report be included on the detailed performance of each external service provider.

Such an exercise requires regular monitoring as work, of very diverse kinds progresses and could not be produced with any degree of accuracy long after the event to satisfy COGTA's compliance requirements for an Annual Report. These requirements were brought to our attention after the expiry of our printing dead-line.

However the new compliance requirements of COGTA are undoubtedly valuable additions to the mandatory stipulations for the contents of an Annual Report set by the Auditor General over the past years and will be considered for inclusion in the upcoming Annual Report.

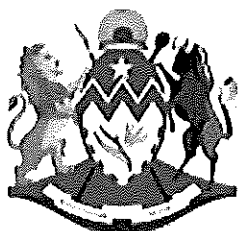
In future the draft contents of our Annual Report will be submitted simultaneously to COGTA and the Auditor General's offices as well as being advertised in the media for possible public response.

  
M LUBBE

Mrs M Lubbe

Acting Municipal Manager





**cogta**

**Department:  
Co-operative Governance and Traditional Affairs  
PROVINCE OF KWAZULU-NATAL**

**MUNICIPAL FINANCE**

Enquiries: Imibuzo: Navrae:	<b>S Chanderlall</b>	My Reference: Inkomba Yami: My Verwysing:	<b>IO/13/2/6/2 Annual Report 2011/2012</b>	E-mail:	<a href="mailto:Seema.amirchand@kzncogta.gov.za">Seema.amirchand@kzncogta.gov.za</a> <a href="http://ta.gov.za">ta.gov.za</a>	Date: Usuku: Datum:	<b>13 February 2013</b>
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The Municipal Manager  
Umfolozu Municipality  
P O Box 96  
KwaMbonambi  
3915

Dear Madam

**ANALYSIS OF THE REPORTING AND DISCLOSURE REQUIREMENTS IN THE ANNUAL REPORT**

Please be advised that the Department of Co-operative Governance and Traditional Affairs has analysed your 2011/12 annual report in terms of the reporting and disclosure requirements as set out in Chapter 12 of the Municipal Finance Management Act (No.56 of 2003), in particular sections 121(3) and (4), 123, 124 and 125, and section 46 of the Local Government Municipal Systems Act (No. 32 of 2000).

The analysis highlights that the following items are not included / incomplete in your annual report:

1. Performance report in terms of s46 of the MSA was not included;
2. Performance report reflecting performance of the municipality and of each external service provider during the financial year was not included;
3. A comparison of the performance with targets set for and performance in the previous financial year was not provided;
4. Measures taken or to be taken to improve performance was not included;
5. There was no assessment by the Accounting Officer on any arrears on municipal taxes and service charges;
6. The annual report did not contain an assessment of the performance against measurable performance objectives for revenue collection by the accounting officer;
7. No particulars of any corrective action taken or to be taken in response to issues raised in the audit reports;
8. The recommendation of the Audit Committee was not included.

**Tell: +27(0) 33 355 6343**

**Fax: +27(0) 33 355 6559**

**[www.kzncogta.gov.za](http://www.kzncogta.gov.za)**

**Address: 271 Church Street, Pietermaritzburg 3200**

*People centred sustainable co-operative governance which focuses on effective service delivery responsive to the needs of the community*

The following disclosure requirements in terms of sections 123, 124 and 125 of the MFMA were not complied with:-

1. Whether allocation received were from a municipal entity or another municipality;
2. Disclosure of allocations made to a municipal entity, another municipality or organ of state;
3. Details of how allocations that were received, were spent, per vote, excluding equitable share;
4. There is no statement by the Accounting Officer that the salaries, allowances and benefits were in accordance with the framework in s219 of the Constitution;
5. The arrears by individual councilors to the municipality or its municipal entity for rates and services which were outstanding for more than 90 days has not been disclosed, and
6. No details of amounts paid for Audit fees, VAT, Pension and medical aid and if these amounts were outstanding at year end;
7. There is no summary of all investments at year end;
8. Material losses and material irregular or fruitless and wasteful expenditure and unauthorized expenditure was not reported on;
9. No report on whether there has been any criminal or disciplinary steps that were taken as a result of material losses and material irregular or fruitless and wasteful expenditure and unauthorized expenditure;
10. Whether material losses were recovered or written off; and
11. There is no report on particulars of non-compliance with the MFMA.

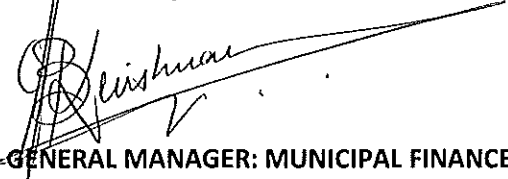
Further to these non-compliance issues it would be appreciated if the reason for incurring fruitless and wasteful expenditure for printing the Draft Annual report in a high quality glossy print could be provided.

The Department advises the municipality not to schedule meetings on the last day of January so as to provide councilors a chance to comment on the report. When tabling an Annual Report it must be according to S131 of the MFMA and should not just be tabled for compliance. Please also note that the MFMA does not make any provision for a draft report; bearing in mind that the report tabled by 31 January should not be in draft format. Any omissions to the Annual Report are catered for in the oversight report by MPAC in March that must also include public comment.

In terms of section 129 of the Municipal Finance Management Act (No.56 of 2003) your municipal council is required to consider the annual report of the municipality and its municipal entity/s and adopt an oversight report on the annual report. Kindly ensure that the oversight report, adopted by your council, addresses the deficiencies highlighted above and that all outstanding documentation as identified above forms part of your oversight report.

Your co-operation is appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Prishu', is written over a horizontal line.

**GENERAL MANAGER: MUNICIPAL FINANCE  
CO-OPERATIVE GOVERNANCE & TRADITIONAL AFFAIRS**





## Table for Scorecard

TEMPLATE: NAME OF MUNICIPALITY:											
IDP / SDBIP No.	National Key Performance Areas	Strategic Objective	Unit Of Measure/ Calculations	Demand	Baseline	Backlog	Previous Year		Current Year		Portfolio of Evidence
							Target	Actual	Target	Actual	
Page 23	Municipal Transformation And Institutional Development	To build capacity among Officials/ Councillors to lead and manage development throughout the Municipality	% of signed performance, % of critical posts filled and policies developed to that effect	4	4	None		100%			None  Budget
Page 23	Basic Service Delivery And Infrastructure Development	To facilitate the delivery of infrastructure such as water & sanitation, electricity, access roads, municipal facilities in a sustainable manner	Electricity interruptions and number of houses built	10507	276	10231		0	0	0	No report received from Eskom  Eskom to report to Council  PMU reports
Page 20	Local Economic Development	To strengthen the local economy with emphasis on agriculture and commercial development	Number of Co-operatives	63	6	57		47	15	15	None  Council
Page 24	Financial Viability And Financial Management	To ensure sound financial management that will ensure alignment with Municipality's	AG's report	Unqualified report	Unqualified report	None		Unqualified report			Not enough support  Lobby for support  Annual financial Statements





Mfolozi Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2012



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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### Mayoral committee

Mayor

SW Mgenge

Councillors

ME Ntshangase

ZD Mfusi

FPE Mpungose

BT Mnqayi

FM Thusi

SK Ngema

Grading of local authority

Grade 2

Chief Finance Officer (CFO)

C Ngema

Accounting Officer

Mrs M Lubbe

Registered office

25 Bredelia Street

Kwambonambi

KZN

3915

Postal address

P.O Box 96

Mbonami

3915

Bankers

ABSA Bank

Auditors

Auditor-General

Telephone

(035) 580-1421

Fax number

(035) 580-1141

E-mail Address (Accounting Officer)

lubbea@mbonambi.co.za

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Equitable Share for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 34-37.

The annual financial statements set out on pages 38 to 69, which have been prepared on the going concern basis, were approved by the Mfolozi Council and were signed on its behalf by:

  
M LUBBE

Mrs M Lubbe  
Acting Municipal Manager  
31 January 2013

# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MFOLOZI MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Mfolozi Municipality set out on pages 30 to 57, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mfolozi Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

### **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Irregular expenditure**

8. The municipality incurred irregular expenditure of R9,835 million as disclosed in note 28 to the financial statements as the SCM processes were not followed.

### **Unauthorised expenditure**

9. The municipality incurred unauthorised expenditure of R3,874 million as disclosed in note 28 to the financial statements as the unspent conditional grants were not supported by adequate cash.

### **Fruitless and wasteful expenditure**

10. The municipality incurred fruitless and wasteful expenditure of R873,107 as a result of interest and penalty charges levied on late accounts from the South African Revenue Services identified during the audit as disclosed in note 29.

### **Going concern**

11. As disclosed in note 27 to the financial statements the municipality did not have sufficient cash resources to pay the trade and other payables of R24,185 million, short term portion of finance lease obligation of R126,180 and to repay the current portion of unspent grants of R3,874 million at 30 June 2012. These issues indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

### **Additional matter**

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited supplementary schedules**

13. The supplementary schedules set out on pages 58 to 61 do not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

15. I was unable to report on the usefulness and reliability of the annual performance report of Mfolozi Municipality as it was not prepared as required by section 46 of the Municipal System Act 32 of 2000 and section 121(3)(c) of the MFMA.

## **Compliance with laws and regulations**

16. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

## **Annual financial statements**

17. The financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122 (1) of the MFMA. Material misstatement of notes to the financial statements identified by the auditors was subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## **Audit committees**

18. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information as required by section 166(2)(a)(iv) of the MFMA.

## **Procurement and contract management**

19. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
20. Awards were made to providers who are persons in service of other state institutions in contravention of the requirement of the SCM regulations 44. Furthermore, the provider failed to declare that he/she is in the service of the state as required by Municipal SCM Regulation 13(c).
21. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Supply Chain Regulations section 13(b).
22. Goods and services above R30 000 were procured without applying the preference point system as required by the Preferential Procurement Regulations 2011 section 5(1)(a).

## **Expenditure management**

23. The accounting officer did not take reasonable steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
24. The municipality did not comply with the requirements of paragraph 2(1) of the Fourth Schedule of the Income Tax Act, Section 6 of the Skills Development Levies Act 9 of 1999 and Section 8 of the Unemployment Insurance Contributions Act 4 of 2002 which prescribe that the employee's tax and UIF contributions as well as skills development levy must be paid over to SARS within 7 days after the end of the month during which the amount was deducted.

## **Internal control**

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## Leadership

26. The accounting officer and council did not perform oversight by reviewing the annual financial statement and performance report to ensure that all reported information is credible, complete, complies with all laws and regulation and is supported by reliable documents.

## Financial and performance management

27. The chief financial officer and performance management unit did not perform a detailed review of the annual financial statement and performance report to ensure that all reported information is credible, complete, complies with all laws and regulation and is supported by reliable documents.

## Governance

28. The audit committee was not effective in ensuring that the annual financial statements and performance report was adequate, reliable and accurate in financial reporting.

*Auditor General*

Pietermaritzburg

30 November 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **Mfolozi Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Officer's Report**

---

The accounting officer submits his report for the year ended 30 June 2012.

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in municipal services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

### **2. Subsequent events**

Contracts for both Section 56 and 57 (Municipal Systems Act) managers expired after the end of the financial year. The municipal manager left the municipality and all those senior manager posts are occupied on an acting basis.



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Notes	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	5	1 685 834	2 413 698
Payment Received in Advance	6	541 691	-
VAT receivable	7	978 058	1 158 074
Cash and cash equivalents	8	17 573	15 726
<b>Total Current Assets</b>		<b>3 223 156</b>	<b>3 587 498</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	61 504 534	57 756 594
Intangible assets	3	141 957	104 489
		<b>61 646 491</b>	<b>57 861 083</b>
<b>Total Assets</b>		<b>64 869 647</b>	<b>61 448 581</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payments received in Advance	4	-	645 673
Finance Lease Obligation	9	126 180	-
Trade and other payables	11	24 185 121	23 069 939
Unspent conditional grants	10	3 874 273	4 735 482
Bank overdraft	8	-	209 905
<b>Total Current Liabilities</b>		<b>28 185 574</b>	<b>28 660 999</b>
<b>Non-Current Liabilities</b>			
Finance Lease Obligation	9	263 334	-
<b>Total Liabilities</b>		<b>28 448 908</b>	<b>28 660 999</b>
<b>Net Assets</b>		<b>36 420 739</b>	<b>32 787 582</b>
<b>Net Assets</b>			
Accumulated surplus		36 420 739	32 787 582

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

Figures in Rand		2012	2011
<b>Revenue</b>			
Property rates	13	5 064 819	5 380 607
Service charges	14	218 465	211 048
Rental of facilities and equipment		119 091	89 308
Interest received (trading)		416 561	191 601
Fines		133 000	123 976
Government grants & subsidies	15	59 874 582	57 770 384
Other Income		330 340	541 527
<b>Total Revenue</b>		<b>66 156 858</b>	<b>64 308 451</b>
<b>Expenditure</b>			
Personnel	17	(16 183 639)	(15 263 977)
Remuneration of councillors	18	(6 060 311)	(4 541 374)
Depreciation and amortisation		(15 997 834)	(2 630 708)
Finance costs	19	(495 381)	(1 041 809)
Provision for bad debts movement		(2 038 474)	-
Repairs and maintenance		(1 769 061)	(2 117 971)
Contracted services	21	(545 234)	(627 920)
Grant Expenditure		(45 000)	(9 593 753)
General Expenses	16	(19 395 021)	(22 352 614)
<b>Total Expenditure</b>		<b>(62 550 976)</b>	<b>(58 170 126)</b>
<b>Surplus for the year</b>		<b>3 605 882</b>	<b>6 138 325</b>

## Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	28 873 027	28 873 027
Prior year adjustments	(2 223 770)	(2 223 770)
<b>Balance at 01 July 2010 as restated</b>	<b>26 649 257</b>	<b>26 649 257</b>
Surplus for the year	6 138 325	6 138 325
<b>Balance at 01 July 2011</b>	<b>32 787 582</b>	<b>32 787 582</b>
Correction of error	26 27 275	27 275
Total Restatement 01 July 2011	27 275	27 275
Surplus for the year	3 605 882	3 605 882
<b>Balance at 30 June 2012</b>	<b>36 420 739</b>	<b>36 420 739</b>

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statements

Figures in Rand	Notes	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of land deposits		-	2 500 000
Sale of goods and services		5 428 088	5 260 595
Grants		58 845 000	59 983 145
Interest income		-	18 778
Other receipts		300 333	665 502
<b>Total receipts</b>		<b>64 573 421</b>	<b>68 428 020</b>
<b>Payments</b>			
Employee costs		(21 675 996)	(20 354 280)
Suppliers		(22 823 838)	(33 470 505)
Finance costs		(495 381)	-
<b>Total payments</b>		<b>(44 995 215)</b>	<b>(53 824 785)</b>
<b>Net cash flows from operating activities</b>	22	<b>19 578 206</b>	<b>14 603 235</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(19 724 754)	(15 203 222)
Increase on the Finance Leased Assets	2	389 515	-
Purchase of other intangible assets	3	(58 490)	-
Other movements-Prior year adjustments		27 275	-
<b>Net cash flows from investing activities</b>		<b>(19 366 454)</b>	<b>(15 203 222)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>211 752</b>	<b>(599 987)</b>
Cash and cash equivalents at the beginning of the year		(194 179)	405 808
<b>Cash and cash equivalents at the end of the year</b>	8	<b>17 573</b>	<b>(194 179)</b>

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below

#### 1.1 Grap Standards Summary

##### Applicable Standards

GRAP 1	- Presentation of Financial Statement
GRAP 2	- Cash Flow Statement
GRAP 3	- Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	- The Effects of Changes in Foreign Exchange Rates
GRAP 5	- Borrowing Costs
GRAP 6	- Consolidated and Separate Financial Statements
GRAP 7	- Investments in Associates
GRAP 8	- Investments in Joint Ventures
GRAP 9	- Revenue from Exchange Transactions
GRAP 10	- Financial Reporting in Hyperinflationary Economies
GRAP 11	- Construction Contracts
GRAP 12	- Inventories
GRAP 13	- Leases
GRAP 14	- Events After the Reporting Date
GRAP 16	- Investment Properties
GRAP 17	- Property, Plant and Equipment
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	- Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	- Agriculture
GRAP 102	- Intangible Assets

#### 1.2

##### Presentation Currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality

##### Going Concern Assumption

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### Depreciation and Impairments

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure Assets	-
Infrastructure	
• Roads and paving	30
• Stormwater Drainage	20
Community	
• Buildings	30
• Recreational facilities	20-30
• Security - fencing	5
• Community Halls	30
• Libraries	30
• Parks and Gardens	10
• Finance Lease Assets	
• Office Equipment	4

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

#### Other assets

• Buildings	30
• Specialised vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	5
• Landfill Sites	15
• Emergency equipment	7
• Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

#### Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Intangible assets (continued)

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Item	Useful life
Computer software, other	5 years

### 1.5 Financial instruments

#### Initial Recognition

Financial instruments are initially recognised at fair value.

#### Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Impairment of financial assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

#### Financial Liabilities: Account Payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in cash and other cash equivalents.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Investment Properties

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

#### Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period

### 1.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.9 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.9 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

### 1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

#### Revenue From Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

#### Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# **Mfolozi Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.12 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### **1.13 Retirement Benefits**

#### **Post Retirement**

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

### **1.14 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# **Mfolozi Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Policies**

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### **1.15 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.16 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Irregular Expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.18 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.19 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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### 2. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 385 974	(2 938 901)	4 447 073	6 546 774	(1 589 252)	4 957 522
Leased-Office equipment	472 582	(98 408)	374 174	-	-	-
Infrastructure	16 841 180	(7 238 012)	9 603 168	16 739 813	(2 607 355)	14 132 458
Community	27 170 208	(11 269 397)	15 900 811	27 128 572	(2 388 720)	24 739 852
Other property, plant and equipment	7 132 557	(4 443 944)	2 688 613	6 948 429	(3 426 522)	3 521 907
Assets under construction	18 085 842	-	18 085 842	-	-	-
<b>Total</b>	<b>87 493 196</b>	<b>(25 988 662)</b>	<b>61 504 534</b>	<b>67 768 441</b>	<b>(10 011 849)</b>	<b>57 756 592</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land	10 404 853	-	-	10 404 853
Buildings	4 957 522	-	(510 449)	4 447 073
Leased-Office equipment	-	472 582	(98 408)	374 174
Infrastructure	14 132 458	-	(4 529 290)	9 603 168
Community	24 739 852	457 042	(9 296 084)	15 900 810
Other property, plant and equipment	3 521 907	709 288	(1 542 582)	2 688 613
Assets under construction	-	18 085 842	-	18 085 842
	<b>57 756 592</b>	<b>19 724 754</b>	<b>(15 976 813)</b>	<b>61 504 533</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	10 404 853	-	-	10 404 853
Buildings	4 251 009	924 739	(218 226)	4 957 522
Infrastructure	8 030 193	6 661 916	(559 651)	14 132 458
Community	18 609 010	7 114 574	(983 732)	24 739 852
Other assets	3 867 993	501 993	(848 079)	3 521 907
	<b>45 163 058</b>	<b>15 203 222</b>	<b>(2 609 688)</b>	<b>57 756 592</b>

### 3. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	162 978	(21 021)	141 957	104 488	-	104 488

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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### 3. Intangible assets (continued)

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	104 488	58 490	(21 021)	141 957

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Disposals	Total
Computer software, other	-	210 206	(105 718)	104 488

### 4. Payments Received in Advance

Advance Terms and conditions	-	645 673
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### 5. Trade and other receivables

Trade debtors	3 530 257	2 179 724
Provision for Bad debts	(2 038 474)	-
Other debtors	194 051	233 974
	<b>1 685 834</b>	<b>2 413 698</b>

#### Trade and other receivables by Category

Rates	1 491 783	2 179 724
Other debtors	194 051	233 974

#### Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Current ( 0-30 days)	719 873	308 190
31 to 60 days	213 506	383 564
61 to 90 days	204 855	275 324
91 to 120 days	2 632 646	1 520 836

#### Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 2 837 500 (2011: R -) were impaired and provided for.

The amount of the provision was R 2 038 474 as of 30 June 2012 (2011: R -)

#### Reconciliation of provision for impairment of trade and other receivables

Provision for impairment	(2 038 474)	-
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### 6. Payment Received in Advance

Payment Received in advance	541 691	-
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# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>7. VAT receivable</b>		
VAT	978 058	1 158 071
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash and Bank	17 159	-
Traffic fines account	414	15 726
Bank overdraft	-	(209 905)
	<b>17 573</b>	<b>(194 179)</b>
Current assets	17 573	15 726
Current liabilities	-	(209 905)
	<b>17 573</b>	<b>(194 179)</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	
ABSA BANK - Account Type - Cheque-40-5385-7155	207 842	(209 905)	-	17 159	(209 905)
ABSA BANK - Account Type- Housing 40-5905-5268	414	-	-	-	-
ABSA BANK - Account Type - Traffic - 40-7854-4599	9 845	15 726	-	414	15 726
ABSA BANK - Account Type Traffic- 40-6506-2322	271	-	-	271	-
<b>Total</b>	<b>218 372</b>	<b>(194 179)</b>	<b>-</b>	<b>17 844</b>	<b>(194 179)</b>

## 9. Finance Lease Obligation

<b>Minimum lease payments due</b>		
- within one year	154 448	-
- in second to fifth year inclusive	292 667	-
	447 115	-
less: future finance charges	(57 601)	-
<b>Present value of minimum lease payments</b>	<b>389 514</b>	<b>-</b>
<b>Present value of minimum lease payments due</b>		
- within one year	126 180	-
- in second to fifth year inclusive	263 334	-
	<b>389 514</b>	<b>-</b>

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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### 10. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

MIG grant	372 594	1 133 993
MAP - admin capacity	804 149	54 149
Map - salgina crescent	842 680	1 727 363
Housing grant	1 819 977	1 819 977
MFMA Grant	34 873	-
	<b>3 874 273</b>	<b>4 735 482</b>

#### Movement during the year

Balance at the beginning of the year	4 735 482	4 133 015
Additions during the year	20 965 000	28 741 856
Income recognition during the year	(21 826 209)	(28 139 389)
	<b>3 874 273</b>	<b>4 735 482</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 15 for reconciliation of grants from National/Provincial Government.

### 11. Trade and other payables

Trade payables	9 405 802	9 613 481
Leave and bonus accrual	683 792	649 019
Other creditors	14 095 525	12 807 433
	<b>24 185 121</b>	<b>23 069 934</b>

### 12. Revenue

Property rates	5 064 819	5 380 607
Refuse removal	218 465	211 048
Rental of facilities & equipment	119 091	89 308
Interest received	416 561	191 601
Fines	133 000	123 976
Government grants & subsidies	59 874 582	57 770 384
Sundry Income	330 340	541 527
	<b>66 156 858</b>	<b>64 308 451</b>

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>13. Property rates</b>		
<b>Rates received</b>		
Property Rates Levied	8 594 277	7 927 076
Less: Income forgone	(3 529 458)	(2 546 469)
	<b>5 064 819</b>	<b>5 380 607</b>
<b>Valuations</b>		
Residential	22 885 000	22 885 000
Commercial	937 600	937 600
State	75 877 575	75 877 575
Municipal ( Ngonyama Trust)	38 604 000	38 604 000
Agriculture	136 436 000	136 436 000
	<b>274 740 175</b>	<b>274 740 175</b>
<b>14. Service charges</b>		
Refuse removal	218 465	211 048

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>15. Government grants and subsidies</b>		
Equitable share	37 880 000	31 241 289
MAP - saligna crescent	-	430 705
MFMA	1 415 127	1 724 863
MSIG	790 000	750 000
MIG	15 236 399	10 952 883
Housing grant	-	10 936 878
Library Grant	168 573	-
MAP Grant	4 384 683	1 733 766
	<b>59 874 782</b>	<b>57 770 384</b>
<b>MIG grant</b>		
Balance unspent at beginning of year	1 133 993	51 876
Current-year receipts	14 475 000	12 035 000
Conditions met - transferred to revenue	(15 236 399)	(10 952 883)
	<b>372 594</b>	<b>1 133 993</b>
Conditions still to be met - remain liabilities (see note 10).		
<b>FMG Grant</b>		
Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 415 127)	(1 200 000)
	<b>34 873</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 10).		
<b>MAP - admin capacity</b>		
Balance unspent at beginning of year	54 149	484 854
Current-year receipts	750 000	-
Conditions met - transferred to revenue	-	(430 705)
	<b>804 149</b>	<b>54 149</b>
Conditions still to be met - remain liabilities (see note 10).		
<b>MAP - saligna crescent</b>		
Balance unspent at beginning of year	1 727 363	1 461 129
Current-year receipts	3 500 000	2 000 000
Conditions met - transferred to revenue	(4 384 683)	(1 733 766)
	<b>842 680</b>	<b>1 727 363</b>
Conditions still to be met - remain liabilities (see note 10).		
<b>Housing grant</b>		
Balance unspent at beginning of year	1 819 977	-
Current-year receipts	-	12 756 856
Conditions met - transferred to revenue	-	(10 936 879)
	<b>1 819 977</b>	<b>1 819 977</b>

## Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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#### 15. Government grants and subsidies (continued)

##### Sport and recreation

Balance unspent at beginning of year	-	524 863
Conditions met - transferred to revenue	-	(524 863)
	-	-

Conditions still to be met - remain liabilities (see note 10)

##### MSIG Grant

Current-year receipts	750 000	750 000
Conditions met - transferred to revenue	(750 000)	(750 000)
	-	-

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>16. General expenses</b>		
Audit committee	38 628	101 713
Advertising	251 258	260 795
Auditors remuneration	1 566 910	1 091 874
Bank charges	108 769	142 064
Cleaning	413 893	175 261
Poverty alleviation	571 061	845 939
Internal audit	716 004	848 961
Professional fees	3 828 894	5 251 929
Stores and material	32 762	24 369
Publicity	107 350	350 226
Mayoral cup	150 620	143 187
Entertainment & receptions	180 334	82 313
Zulu dance	110 440	47 569
Mayoral project	548 735	3 023 971
Purchase of books	15 362	20 217
Insurance	255 687	217 209
Conferences and seminars	181 612	22 700
Street lighting	527 029	613 052
Legal fees	89 227	81 146
Rent - vehicles	612 498	583 740
Rent - copier	267 419	310 462
Traffic Management Fees	639 395	328 947
Medical examinations	6 368	6 491
Sample testing	-	54 588
Fuel and oil	596 484	543 683
Small tools	51 778	1 673
Postal services	15 395	83 012
Printing and stationery	512 905	300 204
Protective clothing	21 363	-
Licenses	4 023	93 369
Refreshments - council	218 083	107 521
Refreshments	123 580	262 162
Levies & membership fees	127 602	30 810
Telephone	882 803	727 196
Training councillors	-	170 614
Training	139 196	44 640
Subsistence and travelling	1 117 768	770 047
Youth skills	27 000	-
Assets expensed	-	805 602
Electricity and water services	1 588 523	1 260 574
Sanitation	237 767	129 348
Uniforms and protective clothing	31 528	44 221
Archiving	23 780	15 838
Bursaries	531 978	42 940
Community bursaries	202 763	352 932
Contribution to research	-	400 088
Disaster fund	832 510	257 528
HIV awareness campaign	41 655	65 360
IDP operating projects	190 534	-
LED	141 220	352 600
Grants & donations	165 915	219 316
Sundries	17 393	59 604
KwaNaloga games	352 241	257 077
Farming only	-	325 932
	<b>19 416 042</b>	<b>22 352 614</b>

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>17. Employee related costs</b>		
Basic	10 634 951	10 284 071
Bonus	589 541	583 420
Medical aid - company contributions	703 909	612 489
SDL	185 977	160 992
Other payroll levies	1 191 209	1 062 985
Leave pay provision charge	34 773	(19 562)
Relief and overtime payments	733 044	556 757
Night allowances	104 828	33 218
Travel allowance	1 605 192	1 577 938
Housing benefits and allowances	40 240	40 240
Funeral scheme	59 917	21 792
Group life insurance	213 781	268 426
Unemployment insurance	82 673	77 648
Bargaining council	3 604	3 563
	<b>16 183 639</b>	<b>15 263 977</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	676 475	612 149
Car Allowance	289 918	425 824
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	<b>967 890</b>	<b>1 039 470</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	574 514	519 883
Car Allowance	143 628	273 283
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	<b>719 639</b>	<b>794 663</b>
<b>Remuneration of Corporate Services Director</b>		
Annual Remuneration	574 514	519 883
Car Allowance	143 628	231 960
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	<b>719 639</b>	<b>753 340</b>
<b>Remuneration of Technical Services Director</b>		
Annual Remuneration	574 514	519 883
Car Allowance	143 628	282 174
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	<b>719 639</b>	<b>803 554</b>
<b>PAYE, UIF &amp; SDL</b>		
Opening balance	7 414 710	6 857 537
Council subscriptions	3 655 293	3 904 866

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>17. Employee related costs (continued)</b>		
Amount paid - previous years	(4 545 755)	(3 347 993)
<b>Balance unpaid (included in payables)</b>	<b>6 524 248</b>	<b>7 414 710</b>
<b>Pension and Medical Aid</b>		
Opening balance	132 110	202 482
Council subscriptions	2 090 327	1 675 473
Amount paid - current	(1 720 044)	(1 543 363)
Amount paid - previous years	-	(202 482)
<b>Balance unpaid (included in payables)</b>	<b>502 393</b>	<b>132 110</b>
<b>18. Remuneration of councillors</b>		
Executive Mayor	213 832	205 049
Cellphone Allowances	319 086	261 610
Councillors Allowances	4 334 761	3 012 079
Travel Allowances	1 192 632	1 062 636
	<b>6 060 311</b>	<b>4 541 374</b>
<b>19. Finance costs</b>		
Other interest paid	495 381	1 041 809
<b>20. Auditors' remuneration</b>		
Opening for previous year	248	438 437
Amount paid previous years	-	(438 437)
Current year Audit Fees	1 610 803	1 092 121
Current year fees paid	(1 566 910)	(1 091 874)
<b>Balance unpaid ( Included on Payables)</b>	<b>44 141</b>	<b>247</b>
<b>21. Contracted services</b>		
Specialist Services	-	25 036
Other Contractors	545 234	602 884
	<b>545 234</b>	<b>627 920</b>



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>22. Cash generated from operations</b>		
Surplus	3 626 903	6 138 325
<b>Adjustments for:</b>		
Depreciation and amortisation	15 976 813	2 630 708
Debt impairment	2 038 474	-
<b>Changes in working capital:</b>		
Trade and other receivables	727 864	(475 727)
Other receivables from non-exchange transactions	(1 187 364)	-
Consumer debtors	(2 038 474)	-
Trade and other payables	1 115 186	2 315 600
VAT	180 013	1 902 059
Unspent conditional grants	(861 209)	2 212 759
Consumer deposits	-	(120 489)
	<b>19 578 206</b>	<b>14 603 235</b>

## 23. Commitments

### Commitments in respect of Capital Expenditure

#### Already contracted for and Approved

• Community	2 845 933	2 194 465
• Other	954 768	522 122
• Infrastructure	430 717	2 231 153
	<b>4 231 418</b>	<b>4 947 740</b>

#### Approved but not yet contracted for

• Infrastructure	17 558 000	2 722 500
• Community	-	11 751 500
• Other	-	3 150 000
	<b>17 558 000</b>	<b>17 624 000</b>

## 24. Contingencies

### Litigation Details

Nhlangothi Construction	50 000	-
Ulwazi Consulting Associates	75 000	-

## 25. Change in Accounting Estimates

During the financial year management reviewed the conditions of all assets. During the review process useful lives of assets were reviewed from prior year. The revision of estimated resulting in an increase in current year charge of depreciation by of R 13,879,400. The breakdown per asset class below;

	Opening Acc Dep	Closing Acc Dep	Effect of review of estimated
Buildings	1 589 252	2 730 073	1 140 821
Infrastructure	2 607 355	6 785 832	4 178 477
Community Assets	2 388 720	10 552 353	8 163 633
Other PPE	3 426 522	3 822 991	396 469
<b>Total</b>	<b>10 011 849</b>	<b>23 891 249</b>	<b>13 879 400</b>

## 26. Correction of an Error

During the current year and adjustment of R 27,275 was made to the Accumulated Surplus. This relates to the stale cheques that were not presented for payment in the previous financial year.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>26. Correction of an Error (continued)</b>		
<b>26.1 Trade and other receivables</b>		
Balance previously reported	-	2 107 575
Restatement	-	(169 163)
<b>Restated Balance</b>	-	<b>1 937 972</b>
The balance for Trade and other receivables was restated due to the unreconciling Age Analysis and debtors control account.		
<b>26.2 Trade and other payables</b>		
Balance previously reported	-	9 493 249
Restatement	-	1 113 773
<b>Restated Balance</b>	-	<b>10 607 022</b>
The balance for Trade and other payables was restated due to understatement of SARS amount payable		
<b>26.3 Property Plant and Equipment at cost</b>		
Balance previously reported	-	43 503 870
Restatement	-	(1 150 601)
<b>Restated Balance</b>	-	<b>42 353 270</b>
<b>26.4 Intangible Assets at cost</b>		
Balance previously reported	-	-
Restatement	-	210 206
<b>Restated Balance</b>	-	<b>210 206</b>
<b>26.5 Amortisation of Intangible Assets</b>		
Balance previously reported	-	-
Restatement	-	84 697
<b>Restated Balance</b>	-	<b>84 697</b>
<b>26.6 Accumulated Surplus/(Deficit)</b>		
Balance previously reported	-	28 872 027
Property Plant and Equipment	-	(940 394)
Trade and other receivables	-	(169 603)
Trade and other payables	-	(1 113 773)
<b>Restated Balance</b>	-	<b>26 649 257</b>
<b>Cash Flow Statements</b>		
<b>Cash and Other Cash Equivalents</b>		
Balance previously reported	(194 179)	-
Restatement	27 275	-
<b>Restated Balance</b>	<b>(166 904)</b>	-
<b>Impact of change on accumulated Surplus</b>		
Bank	27 275	-

## 27. Going concern

Management acknowledges the unfavourable financial health of the Municipality, characterised by Payables (Note 11) of R 24 196 247, grants not cashed back and penalties and interests due to non-payment of P.A.Y.E , SDL, and UIF. Despite this the guaranteed equitable share allocations that inject cash on continuous basis.

## Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>28. Unauthorised and Irregular expenditure</b>		
Opening Balance	4 735 482	3 440 006
Current year irregular expenditure	9 834 776	-
Conditional grants not cash backed	3 874 273	4 735 482
Condoned or written off by Council	(4 735 482)	(3 440 006)
<b>Unauthorised and irregular expenditure awaiting condonement</b>	<b>13 709 049</b>	<b>4 735 482</b>
<b>29. Fruitless and wasteful expenditure</b>		
Opening Balance	1 890 885	295 934
Current year	-	849 076
Interests and Penalties-SARS	873 107	1 041 809
Condoned or written off by Council	(1 890 885)	(295 934)
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>873 107</b>	<b>1 890 885</b>

**Mfolozi Municipality**  
**APPENDIX A**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost/Revaluation				Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Executive & Council	67,768,442	1,697,402	18,085,842	-	87,551,686	(10,011,849)	(15,976,813)	-	(25,988,662)	61,563,024
Finances & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
<b>Total</b>	67,768,442	1,697,402	18,085,842	-	87,551,686	(10,011,849)	(15,976,813)	-	(25,988,662)	61,563,024

# Mfofozi Municipality

## APPENDIX B

2011	2011 Actual Expenditure	2011 Surplus / (Deficit)		2012 Actual Income	2012 Actual Expenditure	2012 Surplus / Deficit
Actual Income				R		
R				R		
-	10,336,304.76	(10,336,305)	Executive & Council	-	8,467,297	(8,467,297)
42,294,714.90	13,703,770.96	28,590,944	Finance & Admin	50,128,986	16,464,065	33,664,921
123,975.51	10,330,956.34	(10,206,981)	Corporate Services	301,573	12,039,363	(11,737,790)
21,889,761.40	23,799,095.18	(1,909,334)	Planning & Development	15,726,299	25,559,229	(9,832,931)
			Less: Inter-Departmental Charges			
64,308,452	58,170,127	6,138,325	<b>Total</b>	66,156,858	62,529,954	3,626,903

**Mfolozi Municipality**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION**  
as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA)	Virement (i.t.o Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % of Final Budget	Actual Outcome As % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>	R	R	R	R	R	R	R	R	R
Property Rates	4,467,377	4,467,377		4,467,377	5,064,819		-597,442	-13%	
Service Charges	233,424	233,424		233,424	218,465		14,959	6%	
Rental of facilities and equipment	101,253	101,253		101,253	119,091		-17,838	-18%	
Interest earned - external investments	206,446	206,446		206,446	416,561		-210,115	-102%	
Interest earned - outstanding receivables									
Fines	1,231,000	1,231,000		1,231,000	133,000		1,098,000	89%	
Government grants and subsidies	54,815,000	54,815,000		54,815,000	59,874,582		-5,059,582	-9%	
Public contributions and donations	445,500	445,500		445,500	330,340		115,160	26%	
Other Own Revenue									
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>61,500,00</b>	<b>61,500,00</b>	-	<b>61,500,00</b>	<b>66,156,858</b>		<b>-4,656,858</b>	<b>8%</b>	
Employee costs	15,450,714	15,384,003	-	15,450,714	16,183,639		-732,925	-5%	
Remuneration of Councillors	5,928,080	5,928,080		5,928,080	6,060,311		-132,231	-2%	
Depreciation and amortisation expense	1,500,000	1,500,000		1,500,000	15,976,813		-14,476,813	-965%	
Provision for bad debts movement					2,038,474		-2,038,474	100%	
Interests and penalties					495,381		-495,381	100%	
Repairs and maintenance	2,400,000	2,140,000		2,400,000	1,769,061		630,939	26%	
Contracted services	500,000	500,000		500,000	545,234		-45,234	-9%	
Grants expenditure					45,000		-45,000		
General expenses	18,097,206	17,878,206		18,097,206	19,416,042		-1,318,836	-7%	
<b>Total Expenditure</b>	<b>43,876,000</b>	<b>43,330,289</b>	-	<b>43,876,000</b>	<b>62,529,955</b>	-	<b>-18,653,955</b>	<b>-43%</b>	
<b>Surplus / (Deficit)</b>	<b>17,624,000</b>	<b>18,169,711</b>	-	<b>17,624,000</b>	<b>3,626,903</b>	-	<b>13,997,097</b>	<b>79%</b>	
Transfers Recognised - Capital									
Contributions Recognised - Capital & Contributed Assets									
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>17,624,000</b>	<b>18,169,711</b>	-	<b>17,624,000</b>	<b>3,626,903</b>	-	<b>13,997,097</b>	<b>79%</b>	
Shares of Surplus/(Deficit) of Associate									
<b>Surplus/(Deficit) For The Year</b>	<b>17,624,000</b>	<b>18,169,711</b>	-	<b>17,624,000</b>	<b>3,626,903</b>	-	<b>13,997,097</b>	<b>79%</b>	

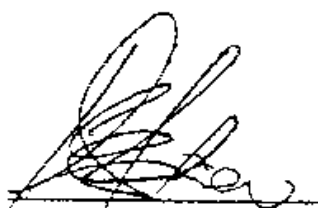
**Mfolozi Municipality**  
**APPENDIX C (contd)**  
**SEGMENTAL STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION**  
as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA)	Virement (i.t.o Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % of Final Budget	Actual Outcome As % of Original Budget
	1	2	3	4	5	6	7	8	9
<b><u>Capital Expenditure &amp; Funds Sources</u></b>									
Capital Expenditure	R	R	R	R	R	R	R	R	R
Transfers Recognised - Capital (MIG)	14,474,000	14,474,000	-	14,474,000	18,085,842		3,611,842	25%	
<b>Total Sources of Capital Funds</b>	<b>14,474,000</b>	<b>14,474,000</b>	<b>-</b>	<b>14,474,000</b>	<b>18,085,842</b>	<b>-</b>	<b>-3,611,842</b>	<b>-25%</b>	
<b><u>Cash Flows</u></b>									
Net Cash from (Used) Operating	-	-		-	-		-	-	
Net Cash from (Used) Investing	-	-		-	-		-	-	
Net Cash from (Used) Financing	-	-		-	-		-	-	
<b>Net increase / (decrease) in net cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Audit Committee Certificate

Certificate in terms of Section 166(2) of the Local Government Municipal Finance Management Act No 56 of 2003

I, Vusi Nkosi, acting in my capacity as Chairman of the Audit Committee of the Mfolozi Municipality, hereby certify that the Audit Committee of the Mfolozi Municipality has reviewed the 2011/2012 Annual Financial Statements published on pages 30 to 61 as required in terms of Section 166(2) of the Local Government Finance Management Act, No 56 of 2003 and express the view that the Financial Statements portray the efficiency and effectiveness of the municipality and its overall compliance with the Municipal Finance Management Act.

A handwritten signature in black ink, appearing to be 'Vusi Nkosi', written over a horizontal line.

ME Nkosi

31/01/2013

Kwambonambi, Mfolozi





